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Y-002-214

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY OF WAR
HEADQUARTERS, STRATEGIC SERVICES UNIT
CHINA THEATER
APO ~~290~~ 907

14 February 1946

SUBJECT: Report.

TO : Commanding General, Strategic Services Unit, War Dept.
Washington, D.C.
Attention: Chief, FESI.

1. In order that you may be kept informed of the activities of SI, and of the disposition of SI personnel, I shall submit this special report which will cover some points not included in our regular reports.

2. As you doubtless have been told by Cols. Heppner and Helliwell, a reorganization of OSS/CT was effected directly after the Japanese surrender. It was deemed advisable to combine the intelligence, investigative and counter-espionage activities under one head; not to effect the methods of dissemination but to avoid duplication of effort in a time when we were and are so short staffed. This has led to some misunderstanding in Washington which needs clarification.

3. You may credit it to lack of training or ignorance and lack of perception, but, during wartime, it was extremely difficult for me to determine where SI stopped and R & A began. By the same token in our post war activities I find it extremely difficult to define the dividing line between SI and X-2. We in the field have managed to keep our composure and work together on intelligence, war crimes, and counter-espionage for what we take to be of benefit to the U.S. Government. Our target in the fall of 1945 was to do all we could as quickly as possible in order that we would be in a profitable position to withdraw from China with Theatre by 1 January. X-2, which had not been in a strong position during the war, recruited all the qualified personnel they could find. Their task was herculean with the vast amount of new territory and sources opened up to them. SSU was further charged by Theatre with War Crimes investigations. Obviously there was no directive on which Branch this responsibility would rest.

4. When Capt. Farrell and Sgt. Gray, both SI, arrived in Canton, soon after the cessation of hostilities, they immediately started working on War Crimes. During the course of their investigation they became involved with the Germans in Canton, and through them the Ehrhardt Bureau. The Ehrhardt Bureau is inextricably tied in with War Crimes and Counter-Espionage; it would be impossible to disassociate the two. During this trying period Theatre was forcing SSU to reduce, both top and bottom, and

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throughout the organization we were finding it extremely difficult to maintain the even flow of internal dissemination. I was Chief of the Reporting Board and acting in the capacity of Chief of SI under Col. Helliwell, who was Chief of the Intelligence Division, and life was chaotic. Farrell's reports did not get proper dissemination, either in SI or X-2. However some X-2 material from other sources was inadvertently disseminated by SI, very little and of doubtful nature, but some. Since the reactivation of Theatre and, to some extent, the revitalization of SSU, the operations have been running smoothly. Farrell continues to work on the German intelligence net and War Crimes, with the complete knowledge of Mr. Crawford of X-2. I have recruited a Lt. MacArthur and a Mr. Thompson, both in SI, to assist Capt. Farrell. SI, which furnishes the Commanders of all field stations, continues to help X-2 in the field; X-2 has not sufficient personnel to accomplish its purpose otherwise. But it is my feeling, and I am sure that it is Colonel Delaney's feeling, that we all work on the same ball club and we will not permit Branch jealousies and rugged individualists to blossom and thrive. You may note the SI creditation on numerous X-2 reports, and vice versa.

5. And so, in order that there be no misunderstanding in Washington, and in an endeavor to keep you informed, I must report that this Headquarters will continue to use the available personnel in the spots most advantageous at the moment. For example the following SI personnel are doing X-2 work almost exclusively:

Capt. Frank Farrell USMCR
Lt. John Cox USMCR and local staff
Lt. Bowman MacArthur
Mr. John Thompson
Sgt. Marvin Gray
Sgt. Phillip Pratt
Sgt. Frank Feger

In line with the above, you and Dr. Houck may like to know that we use available SI geographic men for Reporting Board work. Aside from Mr. Gibb and Mr. Ives, who were recruited by the Reporting Board, the following SI personnel work in the reports section:

1. Lt. Reid B. Duncan, Chief
2. Mrs. Agnes Greene
3. Sgt. Howse, assisting Mr. Ives
4. Mrs. Irma Goodwin, clerical and typing, an ex-OSS employee recently recruited in Shanghai.

OB Section (composing all OB reports)

5. Capt. Wayne H. Richardson
6. Lt. Meyer Auerbach
7. Miss Ann Goodpasture
8. Chas Ives
9. Tom Hilt

6. It will be our endeavor to maintain the high standard of work, both for SI and X-2; and with the least amount of friction. We will continue to screen the material in order that the dissemination shall be made on the proper form and to the proper customers.

For the Strategic Services Officer:

H. BEN SMITH
Chief, Intelligence Division